

**GOVERNMENT OF INDIA
HOUSING AND URBAN POVERTY ALLEVIATION
LOK SABHA**

UNSTARRED QUESTION NO:2914
ANSWERED ON:03.08.2016
Criteria for Loan by HUDCO
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Will the Minister of HOUSING AND URBAN POVERTY ALLEVIATION be pleased to state:

Will the MINISTER OF HOUSING AND URBAN POVERTY ALLEVIATION be pleased to state:

- (a): The provisions and criteria for providing loans by Housing and Urban Development Corporation Limited (HUDCO) for various schemes;
- (b): The number of schemes financed by HUDCO during each of the last three years;
- (c): Whether some schemes financed by HUDCO have not been approved by some State Governments during the said period;
- (d): If so, the details thereof and the reasons therefor; and
- (e): The corrective steps taken/being taken by the Government to make HUDCO financed schemes more viable for the States?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF HOUSING & URBAN POVERTY ALLEVIATION
(RAO INDERJIT SINGH)

(a): The provisions and criteria for providing loans by Housing and Urban Development Corporation Limited (HUDCO) for various schemes primarily cover the aspects of technical feasibility, financial viability and legal eligibility. The loan is offered based on availability of security and repayment mechanism. The broad details of provisions and criteria are placed at Annexure-1.

(b): The details of number of schemes financed by HUDCO during the last 3 years and during the current financial year 2016-17 (as on 30.06.16) are as follows:

Sl. No.	Years	No. of Schemes
1	2016-17	
	(as on 30.06.2016)	40
2	2015-16	202
3	2014-15	162
4	2013-14	134

(c) to (e): Financial assistance for schemes is sanctioned by HUDCO along with certain pre-conditions to be satisfied by the State Govt./Public agencies. In certain instances, actual disbursement under schemes financed by HUDCO may not take place for lack of compliance of the pre-conditions.

HUDCO's lending terms are competitive. Towards helping the Economically Weaker Section (EWS) and Lower Income Group (LIG) households, HUDCO extends a number of facilitatory provisions for projects for this group. This includes waiver of non-refundable Application Fee for EWS & LIG category housing projects; Waiver of non-refundable Front-End-Fee for EWS & LIG Category housing projects; levy of Lower Interest rate for EWS & LIG Category housing projects; and permitting longer duration for repayment in respect of EWS and LIG Housing projects. Similarly, special focus is laid on supporting core infrastructure facilities such as water supply, sewerage, drainage, solid waste management, city roads, social infrastructure etc, with comparatively lower interest rates.

Annexure-1

The provisions and criteria for providing loans by Housing and Urban Development Corporation Limited (HUDCO) for various schemes for Public sector:

HUDCO provides loan assistance to State Governments for a variety of projects both in housing and infrastructure sector. HUDCO provides loans directly to State Governments (drawn through various Departments), Urban Local Bodies (like Corporations, Municipal Bodies, etc), and also to agencies of the State Governments like Housing Boards, Development Authorities, Slum Clearance Boards, Water supply and Sewerage Boards, etc. The loan is offered to State Governments based on availability of security and repayment pattern. The nature of security and repayment pattern may vary depending on the type/nature of the project.

Broadly, for Government/public agencies any of the following securities is required:

- 1) State Government guarantee
- 2) Bank guarantee
- 3) Equitable mortgage of land and building with 125% security coverage on loan amount with no-lien account for the project receivables. Equitable mortgage can be either project property or any other property of the agency.
- 4) Equitable mortgage of 'land and buildings' and/or hypothecation of movable assets like buses, equipment/machinery, computers furniture and fixtures, office equipments, etc (125% coverage)
- 5) In case of direct borrowing by State Government, Government of India's permission for borrowing the loan.
- 6) Negative lien may be accepted in case of Government of India Maharatna / Navratna / Miniratna Companies.

Any one of the following can be additional security:

- 1) Structured repayment through budgetary provision (RBI/Treasury Account)
- 2) Any other additional security depending on risk perception to be decided by HUDCO based on project appraisal. In case of consortium, the security prescribed for the project will be on pari-passu basis.
- 3) Structured escrow mechanism against identified receivables such as taxes/fee/charges, etc with coverage of 150% as pass through revenue (Electricity Boards, Corporations, Local Bodies etc.) can be considered as special case based on financial health of organisation and dedicated flow of receivables with one quarter/principal interest of the loan drawn as loan term debt reserve.

Normally, HUDCO provides up to 90% of the project cost as loan, and the repayment normally goes up to 15 years depending on the nature of the project. The interest rates vary depending on the nature of the projects, ranging from 8.65% (fixed rate) to 12.25% (floating) for State Government PSUs/Agencies for power projects. The State Government borrowings/rated government agencies ('AA' & above or equivalent rating by SEBI and RBI registered Credit rating Agencies) however, would get a reduction in the interest rate by 0.25%. For agencies rated as 'A' and above but below 'AA' or equivalent rating by SEBI and RBI registered credit rating agencies, a fixed rebate in the form of reduction in the interest rate by 0.15% would be available. For agencies rated as 'BBB' and above but below 'A' or equivalent rating by SEBI and RBI registered credit rating agencies, a fixed rebate in the form of reduction in the interest rate by 0.10% would be available. This is subject to borrower maintaining the specified rating during entire tenure of loan. The rebate in interest rate as per specified norms shall however be available during the validity of rating i.e. from the date of rating or date of release of loan, whichever is later and up to validity of rating. The borrower shall also submit annual rating before end of each financial year. Further, in case of subsequent downgrading of rating below the specified rating or non-submission of annual rating before the end of financial year, interest rates applicable to 'Not-rated' borrowers shall become applicable from 1st day of next billing date for the period rating remains downgraded/not submitted.
